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Director of Central Intelligence

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The Overnight Reports, printed on yellow paper as the final section of the *Daily*, will often contain materials that update the Situation Reports and Briefs and Comments.

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BRAZIL: The Politics of Nuclear Decisions

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President Figueiredo has quietly called for a re-evaluation of Brazil's nuclear energy program. Brazilians are critical of the heavily increased costs, delays in implementation, and management problems of the program that was planned in 1975 when the accord with Germany was concluded. In addition, Brazil's scientific community has become divided over the uranium enrichment process to be transferred to Brazil, and the dispute has grown into a frequently vicious fight between different nuclear agencies. It appears that Brazil will eventually reduce the scope of its ambitious nuclear program and probably decrease the number of Brazilian - West German reactors from eight to four. Brazil, however, will not abandon either its drive for nuclear independence or the accord with West Germany, which it has vigorously defended.

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Brazil's nuclear program has increased dramatically under the ambitious 1975 accord with West Germany, which Brasilia has since categorized as essential to independence in the nuclear field. Indeed, national prestige has been profoundly linked to the West German technological package, which calls for joint development of eight power reactors and, more important, building uranium enrichment and fuel reprocessing plants. (b)(3)

The fact that spent-uranium reprocessing equipment can be used to extract plutonium--a weapon ingredient--has raised international concern about the Brazilian - West German accord. Brazil's reaction to US and other Western inquiries about the reprocessing arrangement has been indignant and harsh. Ill feelings created by what Brazil sees as US interference in its affairs have contributed to cooling relations and the abrogation of several longstanding joint military agreements. Any perceived interference or criticism of the accord with West Germany will continue to elicit a strong Brazilian response. (b)(3)

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A number of factors, however, suggest Brazil is considering a curtailment of its program with West Germany and the subordination of nuclear energy to hydroelectric power. The first is Brazil's disappointment with a series of delays in implementing the accord. Training and initial reactor construction may be as much as two years behind schedule. Brazil blames West German arrogance and incomplete training for delays in transferring the technology. The West Germans complain that Brazil's inexperience and relatively low technological base have retarded the exchange.

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Rising costs for construction, training, and hardware are also having a heavy impact on Brazilian leaders. Delays in the program and spiraling inflation affecting both countries have led to a number of serious cost overruns for the minimal construction completed to date. The original $5 billion figure for the reactors and associated plants may double or triple. Some domestic critics have charged that Brazilian and West German corruption and mismanagement have added to the sharp cost increases.

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Site security and safety procedures have proven faulty. A number of accidents and other costly incidents have come to the attention of the press and provided ample fuel for critics. These factors, in combination with some personal enmities, have split the Brazilian scientific community, which is now engaged in a sometimes sharp dispute over the accord and its possible curtailment. The most recent example was the resignation of a top nuclear official who disagreed with policies of the director of Brazil's nuclear energy.

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Figueiredo officially supports the nuclear program, but he may be giving only lip service to a program that was highly touted by his predecessor. The new President has indicated he will gradually reevaluate the scope of the accord with West Germany. He has already asked for a cost analysis of the last four of the eight reactors called for in the agreement and has shown interest in Brazil's hydroelectric potential. Figueiredo has also

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selected an energy adviser who has criticized portions of the agreement with West Germany in favor of conventional power development. Finally, the new Minister of Mines and Energy, Cesar Cals, has publicly hinted that Brazil will slow its push into reactor construction. Cals said that nuclear-related progress will depend on Brazil's need for energy, an implication that later reactors may be delayed indefinitely. (b)(3)

There is no evidence that Brazil is planning to produce nuclear weapons any time soon, although such speculation has surfaced since 1975. Feeding international concern is Brazil's failure to sign the Nuclear Non-Proliferation Treaty or fully to ratify the Tlatelolco Treaty, which would establish Latin America as a nuclear-free zone. Added to this is previous emphasis by the Brazilian military on heavy water production and occasional published remarks by military officers indicating that Brazil must have a nuclear weapons capability to be truly independent. (b)(1) (b)(3)

While West German technology will allow Brazil to produce fissionable materials that could be used in explosive devices, a number of years--perhaps eight to 10--would be required to complete the development of weapons. The Brazilians would have to break international safeguards to begin such a program at this time. Brazilian leaders have repeatedly asserted that their country will use nuclear technology only for peaceful purposes. Brazil is clearly the most powerful nation in South America and has no immediate need for atomic weapons. Brazilian leaders would feel otherwise, however, should Argentina's nuclear program continue to lead Brazil's or if Argentina begins a weapons program. (b)(3)

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Outlook

Brazil is likely to curtail its nuclear program and focus more on the country's substantial and more readily available hydroelectric power. Figueiredo may take additional action later and possibly eliminate the last four reactors under the accord. Continued delays and price increases because of management and contractual problems may force a reduction in the West German agreement through the sheer cost. In addition, the dispute between nuclear officials may force the President to shuffle Brazil's top nuclear managers. (b)(3)

The timing of significant changes is uncertain because of the political impact of the nuclear issue and Figueiredo's reluctance to repudiate former President Geisel's policies. Whatever the changes, Brazil will not abandon its effort to exploit the West German technology transfer toward achieving its goal of nuclear independence. There is no pressure now from any important sector in Brazil to develop explosive devices with the plutonium from the reprocessing technology. Brazilian expectations regarding a full-fuel cycle nuclear program and the controversy both inside and out of the country over the accord with West Germany will heighten Brasilia's sensitivity to criticism. The nuclear issue will remain an important factor in Brazil's international relations for the foreseeable future. (b)(3)

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